

International Trade Operation



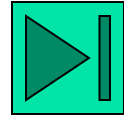
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General Introduction

CONTENTS



- Overview
- Objectives
- Outline
- Evaluation
- Teaching Methods
- Class Policies





Overview



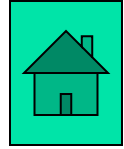
- Prerequisites

- Course Focus

**on the practice of
the procedure of
international
trade**



Objectives



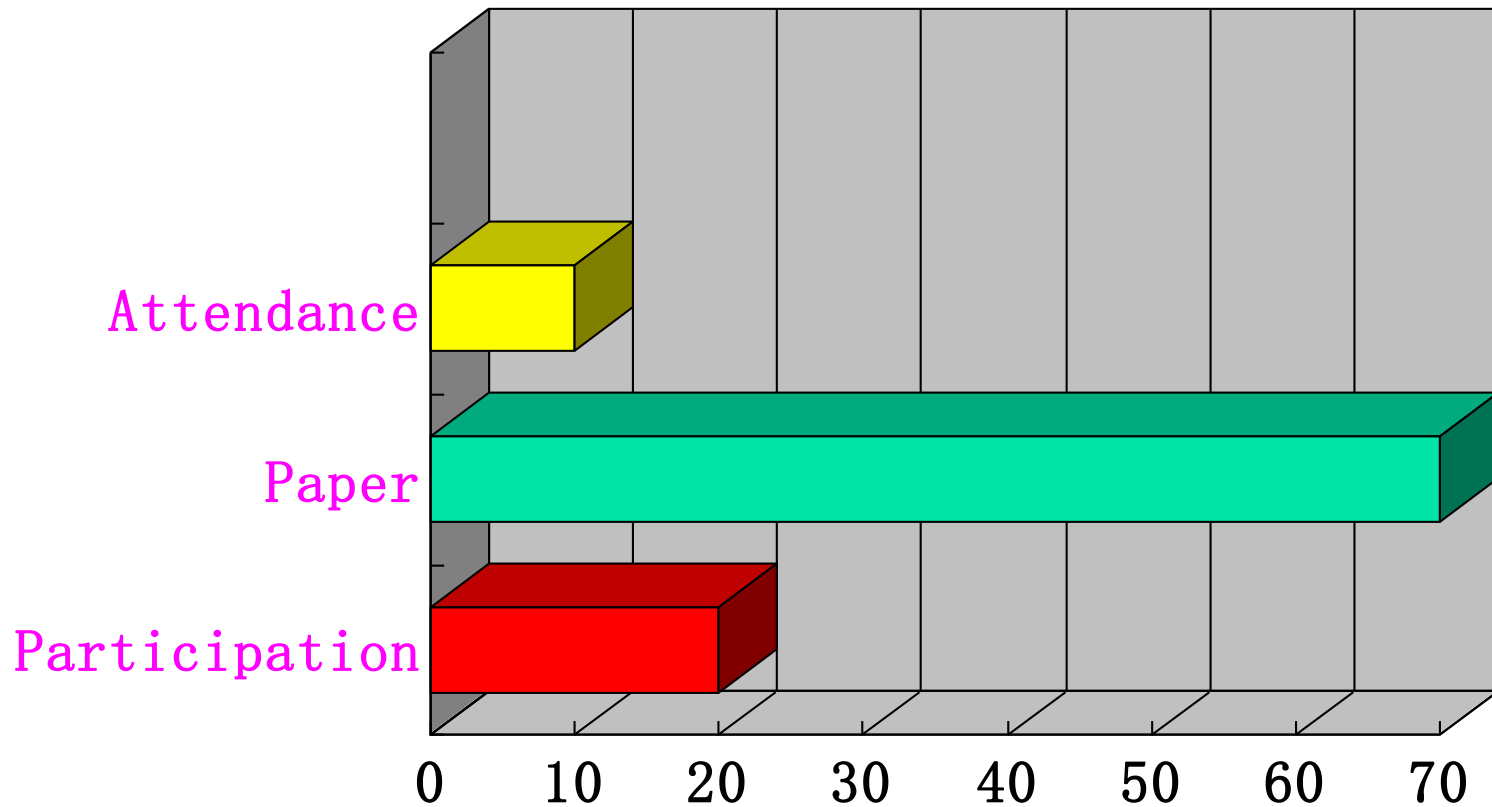
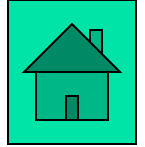
- To master the procedure of International Trade practice
- To learn how to make required documents
- To know how to find information for international trade through Internet and other sources



Course Outline

1. Business Contract
2. Quality and Quantity of Goods
3. Packing of Goods
4. Price of Goods (INCOTerms 2010)
5. Delivery of Goods
6. Cargo Transportation Insurance
7. Payment of Purchase Price
8. Disputes, Claim, Arbitration and Force Majeure
9. Business Negotiation and Conclusion of Contract

Evaluation



Teaching Methods



- **Lectures**
- **Case Studies**
- **Class Discussion**





Class Policies



- Attend all the lectures
- Preview the contents before the lecture
- Participate in the discussion and case studies
- Find related information via Internet
- The Term Paper must be due on time



QUESTIONS





Course Outline



Course Outline

- **1. characteristic of International Trade in Goods**
- **2. Laws applicable to international sales contract**
- **3. Export and import procedures**



What is international trade practice?

- This course is a subject which studies **goods exchange between different countries** and regions. It combines international trade theories and practices , foreign trade policy and skills.



1. Characteristic of International Trade in Goods

- **It is more difficult to do international trade business.**
- **The application of **laws** for the protection of international trade is more complicated than we can imagine.**
- **There exists inevitably greater **risk** in international trade.**



2. Laws applicable to international sales contract

I. Domestic laws

II. International treaty

III. International trade practice



I. Domestic laws

- **conflict of law**
- **proper law / choice of law**
 - ① **principle of party autonomy**
 - ② **the most significant relation principle**



II. International Treaty

International Treaty

- **"United Nations Convention on Contracts for the International Sale of Goods" (CISG, the Vienna Convention)**
- **Major absentees**



II International treaty

- **The United Nations Conventions for the International Sales of Goods (CISG) came into effect on Jan 1st, 1988;**
- **On Dec 11th, 1986, our country approved the convention with two reservations:**

A The sphere of application

B The formation of the contract



Related: CISG: Article 1

- (1) This Convention applies to contracts of sale of goods between parties whose places of business are in different States:
 - **(a) when the States are Contracting States; or**
 - **(b) when the rules of private international law lead to the application of the law of a Contracting State.**

Reservations

B The formation of the contract

B: China withdrew their **written form declaration.** (China's action will take effect on **1 August 2013**)

《CISG》:

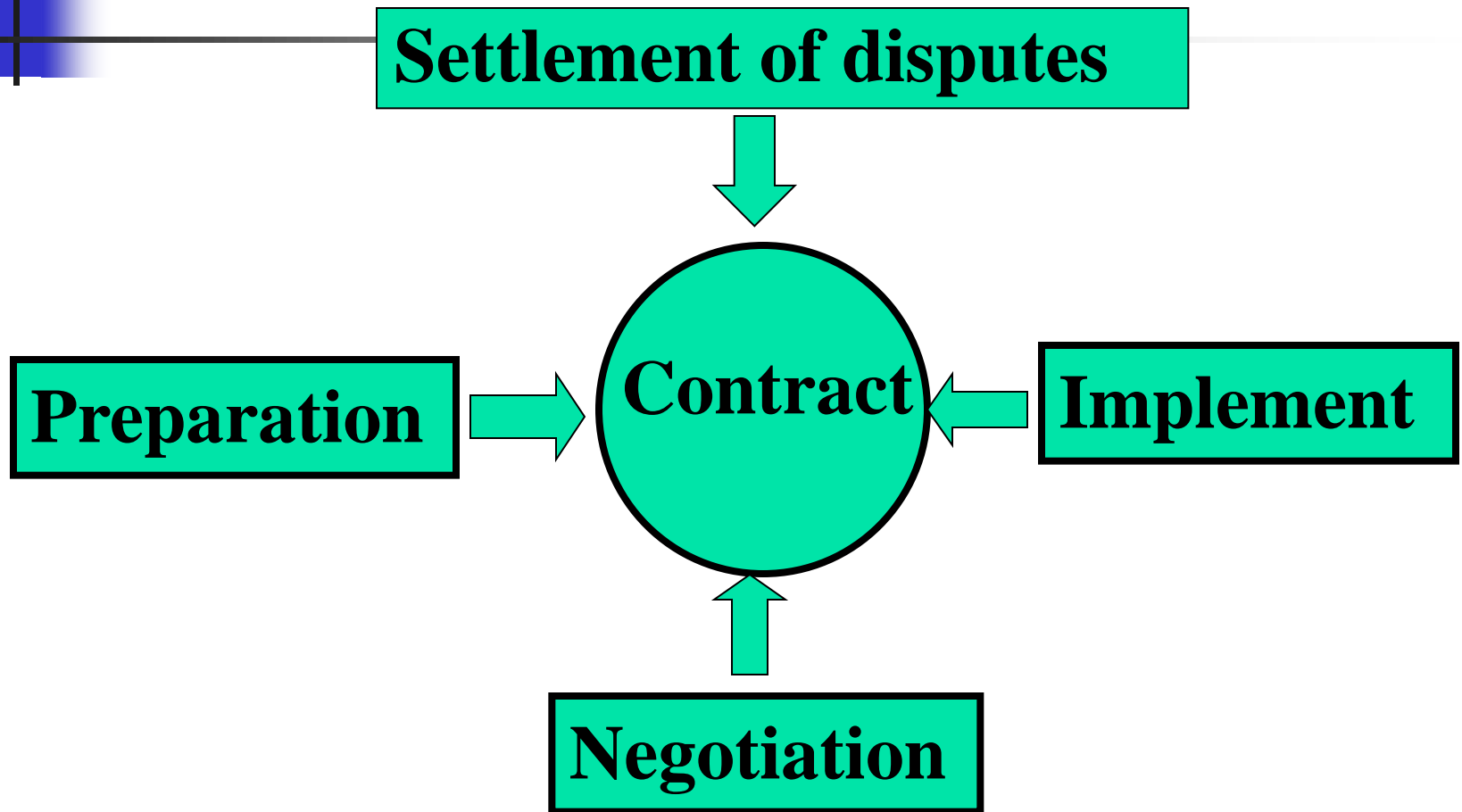
Article 11: A contract of sale need not be concluded in or evidenced by writing and is not subject to any other requirement as to form. It may be proved by any means, including witnesses.



III International trade practice

- ① It is composed of general provisions, norms and rules prescribed by some international organizations and commercial groups.
- ② The practice widely in use:
 - 《INCOTERMS 2010》
 - 《UCP 600》
 - 《URC 522》

3. Export and import procedures





The preparation of a transaction

- **Selecting the right market**
- **Finding the potential partner**
- **Studying creditability of the partner**
- **Applying for Export or Import License**



The negotiation of a sales contract

- **Two forms of business negotiation**
 - in **words**, i.e. face-to-face negotiation
 - in **writing**, i.e. business correspondence



The negotiation of a sales contract

■ Four main steps involved:

- **Enquiry:** asking for price by either seller or buyer
- **Offer:**
 - an answer to enquiry or initiated by either seller or buyer
 - **binding force** upon the offerer within the validity
- **counter-offer:** addition, modification or refusal of the offer
- **Acceptance:**
 - the unconditional acceptance of the offer
 - A contract is concluded when an acceptance becomes effective



The negotiation of a sales contract

■ **Governing rules:**

- the United Nations Convention on Contracts for International Sale of Goods 1980 (CISG 1980)
- Incoterms 2010
- UCP600 or URC522



The performance of the contract

Obligations of the seller

Delivery of goods

Transferring documents

Transferring the title of the goods

Obligations of the buyer

Making payment

Accepting the goods



The settlement of disputes

- In the case of complaints or disputes, the party suffering loss will lodge a claim against the relevant parties: the other party of the sales contract, the carrier or the insurance company
- Four ways to settle disputes
 - Negotiation
 - Mediation
 - Arbitration
 - Litigation



THE END





Chapter 1: Business Contract



Contents

- 1. Concept of Business Contract**
- 2. Legal Foundation**
- 3. Formation of Contract**



1. What is business contract?

■ In international trade, the business contract normally refers to the **agreement** concluded by both parties and **enforceable by law**, by which they mutually promise to sell or buy some particular commodity, transfer or acquire a certain industrial property or know-how, or render or accept a certain service.

- Sales contract
- Purchase contract
- Sales confirmation
- Purchase confirmation



Business Contract

■ Form Stipulation of Contract

■ “United Nations Convention on Contracts for the International Sale of Goods” (CISG) : 1 January 1988

➤ A contract of sale need not be concluded in or evidenced by **writing and is not subject to any other requirement as to form. It may be proved by any means, including witnesses.**



2. Legal Foundation

- Principles should be followed to sign a contract
 - The conclusion of the contract is the legal act of the parties thereto, it must possess its basic legal characteristics.
 - The parties thereto in full agreement with each other
 - The parties thereto are equal in position
 - The valid contract shall be legal and in conformity with the effective conditions for conclusion.



Legal Foundation

Relative legal bases in the world

- “United Nations Convention on Contracts for the International Sale of Goods” (1980)
- “British Sales of Goods Act” (1893)
- “Uniform Commercial Code in the United States” (2007)
- “contract law of the People's Republic of China” (1999) (China)



3. Formation of Contract

- ① **Preamble**
- ② **Body**
- ③ **Witness Clause**



3.1 Preamble

- The preamble may take the following statement as the opening remark:
 - The contract concluded and made by and between ABC Co. (hereinafter called “the sellers”) and XYZ Co. (hereinafter called “the buyers”), whereas the sellers are willing to sell the buyers the commodity listed hereunder. Now these presents witness that it is hereby agreed between the parties hereto as follows.



3.2 Body

1. Basic terms and conditions
2. General terms and conditions



3.2.1 Basic Terms and Conditions

1. Name of commodity and specification:
Lithopone Zns content 28% min.
2. Quantity: 900M/T. (Metric Ton)
3. Unit price: USD 120 per M/T CIFC5%
Singapore.
 - C: Cost I: Insurance
 - F: Freight
 - C: Commission



3.2.1 Basic Terms and Conditions

4. Total amount: USD108,000 with 5% more or less both in amount and quantity at the seller's option.
5. Packing: By paper-lined glass-fibre bags of 25kg. each, gross for net.
6. Shipping marks: To be designated by the sellers.



3.2.1 Basic Terms and Conditions

7. Port of shipment and Port of Destination: From Qingtao to Singapore
8. Time of shipment: During May/July, 2012, into three equal lots. Partial shipment to be allowed, transshipment not to be allowed.
9. Insurance: To be covered by the sellers.



3.2.1 Basic Terms and Conditions

- 10.** Terms of payment: By irrevocable, transferable, and divisible banker's acceptance **letter of credit** to cover the total value of each monthly (or lot of) shipment as stipulated above
- 11.** Commodity inspection: Certificate of quality and weight issued by the Chinese Import and Export Commodity Inspection Bureau at the port of shipment



3.2.2 General Terms and Conditions

1. Amendment of Letter of Credit

- If the L/C is not in accordance with the terms of contract, amendments should be made immediately by the buyers
- Buyers shall be responsible for any losses thus incurred as well as for late shipment thus caused



3.2.2 General Terms and Conditions

2. Shipping Advice

- The sellers or their branches shall notify the buyers or their agents by cable or telex of the number of L/C, quantity and name of vessel immediately after loading is completed.



3.2.2 General Terms and Conditions

3. Force Majeure

- The time of shipment might be extended, or a part or whole of the contract cancelled without liability attached to the sellers
- Furnish the buyer within 15 days after the accident by registered airmail with a certificate issued by the competent government authority or the chamber of commerce which is located at the place



3.2.2 General Terms and Conditions

4. Arbitration

- Held in the country where the defendant resides, or in a third country agreed by both parties.
- The award is final and binding upon both parties.
- The arbitration fees shall be borne by the losing party only.



3.2.2 General Terms and Conditions

5. Claims

- The buyers shall have the right within 30 days after the arrival of the goods at the port of destination to lodge or file claims concerning the quality, quantity or weight of the goods (claims for perishable goods are to be put forward immediately after arrival of the goods at destination).



3.3 Witness Clause

- The business contract is usually ended with the following statement:
 - The contract is made out in Chinese and English, both versions being equally authentic.



Sample of Sales Contract
